

STATE OF NEW MEXICO
VILLAGE OF GRADY

Audit Report

For the Year Ended June 30, 2009

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico

STATE OF NEW MEXICO
Village of Grady

Official Roster
For the year ended June 30, 2009

VILLAGE COUNCIL

Jimmy Schell..... Mayor Pro Tem
Mae Szaloy..... Council Member
Kathy Edwards..... Council Member
Harvey Hamlett..... Council Member

VILLAGE OFFICIALS

Wesley Shafer Mayor
Leona Fleming..... Clerk/Treasurer

STATE OF NEW MEXICO
Village of Grady

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT
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Melrose, NM 88124

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INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
The Village Council and
Village of Grady
Grady, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund including budget comparisons, and the aggregate remaining fund information of the Village of Grady (Village), as of and for the year ended June 30, 2009, which collectively comprise the Village of Grady's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the nonmajor governmental funds and budget comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2009 and the respective changes in financial position thereof, and the respective budgetary comparisons for the nonmajor funds and the proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2009, on our consideration of Village of Grady's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

For the year ended June 30, 2009, Village of Grady has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of the Village. The additional schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style.

Ronny Fouts, CPA
Melrose, New Mexico
November 24, 2009

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 STATEMENT OF NET ASSETS
 June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 304,350	\$ 33,630	\$ 337,980
Receivables	4,273	4,531	8,804
Due from other governments	-		-
Inventory	1,038		1,038
Capital Assets, Net	1,101,089	249,320	1,350,409
Total Assets	<u>1,410,750</u>	<u>287,481</u>	<u>1,698,231</u>
LIABILITIES			
Accounts payable	-	-	-
Due within one year	22,096	3,331	25,427
Due in more than one year	122,771	31,979	154,750
Accrued Compensated Absences	104	-	104
Total Liabilities	<u>144,971</u>	<u>35,310</u>	<u>180,281</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	956,222	214,010	1,170,232
Unrestricted	309,557	38,161	347,718
Total Net Assets	<u>\$ 1,265,779</u>	<u>\$ 252,171</u>	<u>\$ 1,517,950</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental Activities:							
General Government	\$ 80,106	\$ 390	\$ -	\$ -	\$ (79,716)	\$ -	\$ (79,716)
Public Safety	122,112	-	-	-	(122,112)	-	(122,112)
Public Works	21,288	-	-	-	(21,288)	-	(21,288)
Culture and Recreation	81,422	10,958	2,500	-	(67,964)	-	(67,964)
Interest expense	6,004	-	-	-	(6,004)	-	(6,004)
Total Governmental Activities	\$ 310,932	\$ 11,348	\$ 2,500	\$ -	\$ (297,084)	\$ -	\$ (275,796)
Business-Type Activities:							
Joint Utility:							
Water and Solid Waste	\$ 51,669	\$ 37,576	\$ -	\$ -	\$ -	\$ (14,093)	\$ (14,093)
Bond Interest Payments	1,603	-	-	-	-	(1,603)	(1,603)
Total Business-Type Activities	\$ 53,272	\$ 37,576	\$ -	\$ -	\$ -	\$ (15,696)	\$ (15,696)
General Revenues:							
Intergovernmental	\$	460,942	\$	-	\$	-	\$ 460,942
Property Taxes		2,974		-		-	2,974
NM Gross Receipts Taxes		57,065		2,250		2,250	59,315
Gasoline Taxes		5,067		-		-	5,067
Motor vehicle taxes		169		-		-	169
Miscellaneous Income		14,409		6,954		6,954	21,363
Total General Revenues		540,626		9,204		9,204	549,830
Change in Net Assets		243,542		(6,492)		(6,492)	237,050
Net Assets - Beginning		1,022,237		258,663		258,663	1,280,900
Net Assets - Ending	\$	1,265,779	\$	252,171	\$	252,171	\$ 1,517,950

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Balance Sheet
 Governmental Funds
 June 30, 2009

	General Fund	Fire Protection Fund	Emergency Medical Services Fund	Gas Tax Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Pooled Cash and Investments	\$ 137,193	\$ 110,432	\$ 9,196	\$ 19,647	\$ 27,882	\$ -	\$ 304,350
Accounts Receivable	2,102				2,171		4,273
Inventory	-				1,038		1,038
Due from Other Governments	-	-	-	-	-	-	-
Total Assets	\$ 139,295	\$ 110,432	\$ 9,196	\$ 19,647	\$ 31,091	\$ -	\$ 309,661
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities							
Fund Balance:							
Unreserved:							
Desig. for Subsequent Years' Expenditures							-
Reported in:							
General Fund	139,295						139,295
Special Revenue Funds	-	110,432	9,196	19,647	31,091	-	170,366
Total Fund Balance	139,295	110,432	9,196	19,647	31,091	-	309,661
Total Liabilities and Fund Balance	\$ 139,295	\$ 110,432	\$ 9,196	\$ 19,647	\$ 31,091	\$ -	\$ 309,661

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Reconciliation of the Balance Sheet - All
 Governmental funds to the
 Statement of Net Assets
 June 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances - Governmental Funds	\$	309,661
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,101,089
Accrued compensated Absences not recognized in the funds statements.		(104)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(144,867)</u>
Net assets of governmental activities	<u>\$</u>	<u>1,265,779</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2009

	General Fund	Fire Protection Fund	Emergency Medical Services Fund	Gax Tax Fund	Senior Citizens Fund	Nonmajor Funds	Total Governmental Funds
Revenues:							
Intergovernmental	\$ 35,000	\$ 160,579	\$ 107,456	\$ 57,372	\$ 80,535	\$ 20,000	\$ 460,942
Property Taxes	2,974	-	-	-	-	-	2,974
NM Gross Receipts Taxes	57,065	-	-	-	-	-	57,065
Motor Vehicle Taxes	169	-	-	-	-	-	169
Gasoline Taxes	-	-	-	5,067	-	-	5,067
Federal Grant	-	-	-	-	2,500	-	2,500
Licenses and Permits	-	-	-	-	-	-	-
Charge for Services	390	-	-	-	10,958	-	11,348
Interest Income	-	-	-	-	-	-	-
Miscellaneous	12,643	583	200	-	-	983	14,409
Total Revenue	108,241	161,162	107,656	62,439	93,993	20,983	554,474
Expenditures							
Current:							
General Government	\$ 58,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,739
Public Safety	-	24,513	4,358	-	-	-	28,871
Public Works	-	-	-	-	-	21,288	21,288
Culture and Recreation	-	-	-	-	81,422	-	81,422
Debt retirement	-	21,417	-	-	-	-	21,417
Interest Paid	-	6,004	-	-	-	-	6,004
Capital Outlay	-	11,670	152,912	76,496	10,505	-	251,583
Total Expenditures	58,739	63,604	157,270	76,496	91,927	21,288	469,324
Net change in fund balance	49,502	97,558	(49,614)	(14,057)	2,066	(305)	85,150
Fund Balance at beginning of year	89,793	12,874	58,810	33,704	29,025	305	224,511
Fund Balance at end of year	\$ 139,295	\$ 110,432	\$ 9,196	\$ 19,647	\$ 31,091	\$ -	\$ 309,661

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance - All Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net Change - Total Governmental Funds	\$	85,150
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.</p>		
Depreciation Expense		(99,521)
Capital Outlay		236,496
Compensated absences not recognized in the funds statements		-
Repayment of Long term debt is an expenditure in the funds statements but is not an expense in the statement of activities		21,417
		<hr/>
Change in net assets of governmental activities	\$	<u>243,542</u>

The accompanying notes are an integral part of these financial statements.

MAJOR FUNDS

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 3,000	\$ 3,000	\$ 2,974	\$ (26)
NM Gross Receipts Taxes	21,500	21,500	56,288	34,788
Motor Vehicle Registrations	188	188	169	(19)
Licenses and Permits	21	21	-	(21)
Charges for Services	1,000	1,000	390	(610)
Miscellaneous	28,825	28,825	12,643	(16,182)
Small Cities Assistance	35,000	35,000	35,000	-
Total Revenues	\$ 89,534	\$ 89,534	\$ 107,464	\$ 17,930
Expenditures:				
General Government	\$ 78,549	\$ 78,549	\$ 58,739	\$ 19,810
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Streets and Drainage	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	78,549	78,549	58,739	19,810
Excess (deficiency) of revenues over expenditures	10,985	10,985	48,725	37,740
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Cash Balance at beginning of year	88,468	88,468	88,468	-
Cash balance at end of year	<u>\$ 99,453</u>	<u>\$ 99,453</u>	<u>\$ 137,193</u>	<u>\$ 37,740</u>

RECONCILIATION TO GAAP BASIS:

Revenues:

Actual per Budgetary Basis	\$ 107,464
Change in Receivables	777
Actual per GAAP	<u>\$ 108,241</u>

Expenditures:

Actual per Budgetary Basis	58,739
Changes in Payables	-
Actual per GAAP	<u>58,739</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Fire Protection Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
State Fire Allotment	\$ 55,501	\$ 55,501	\$ 60,579	\$ 5,078
Other	303,000	403,000	100,000	(303,000)
Miscellaneous	1,500	1,500	583	(917)
Total Revenues	<u>\$ 360,001</u>	<u>\$ 460,001</u>	<u>\$ 161,162</u>	<u>\$ (298,839)</u>
Expenditures:				
Public Safety	25,350	26,039	24,513	1,526
Debt Retirement	21,417	21,417	21,417	-
Interest Payments	6,004	6,004	6,004	-
Capital Outlay	303,000	524,364	11,670	512,694
Total Expenditures	<u>355,771</u>	<u>577,824</u>	<u>63,604</u>	<u>514,220</u>
Excess (deficiency) of revenues over expenditures	<u>4,230</u>	<u>(117,823)</u>	<u>97,558</u>	<u>215,381</u>
Cash Balance at beginning of year	<u>12,874</u>	<u>12,874</u>	<u>12,874</u>	<u>-</u>
Cash Balance at end of year	<u>\$ 17,104</u>	<u>\$ (104,949)</u>	<u>\$ 110,432</u>	<u>\$ 215,381</u>
RECONCILIATION TO GAAP BASIS:				
Revenues:				
Actual per Budgetary Basis				\$ 161,162
Changes in Receivables				-
Actual per GAAP				<u>\$ 161,162</u>
Expenditures:				
Actual per Budgetary Basis				\$ 63,604
Changes in Payables				-
Actual per GAAP				<u>\$ 63,604</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Emergency Medical Services
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
State Emergency Medical Services	\$ 7,482	\$ 157,482	\$ 107,456	\$ (50,026)
Other Charge	1,000	1,000	200	(800)
Total Revenues	<u>\$ 8,482</u>	<u>\$ 158,482</u>	<u>\$ 107,656</u>	<u>\$ (50,826)</u>
Expenditures:				
Public Safety	6,850	4,639	4,358	281
Capital Outlay	500	161,826	152,912	8,914
Total Expenditures	<u>7,350</u>	<u>166,465</u>	<u>157,270</u>	<u>9,195</u>
Excess (deficiency) of revenues over expenditures	<u>1,132</u>	<u>(7,983)</u>	<u>(49,614)</u>	<u>(41,631)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance at beginning of year	<u>58,810</u>	<u>58,810</u>	<u>58,810</u>	<u>-</u>
Cash balance at end of year	<u>\$ 59,942</u>	<u>\$ 50,827</u>	<u>\$ 9,196</u>	<u>\$ (41,631)</u>
RECONCILIATION TO GAAP BASIS:				
Revenues:				
Actual per Budgetary Basis				\$ 107,656
Changes in Receivables				-
Actual per GAAP				<u>\$ 107,656</u>
Expenditures:				
Actual per Budgetary Basis				\$ 157,270
Changes in Payables				-
Actual Per GAAP				<u>\$ 157,270</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Gas Tax Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Gasoline tax	\$ 7,348	\$ 7,348	\$ 5,067	\$ (2,281)
Inter-governmental grant	80,000	80,000	57,372	(22,628)
Total Revenues	<u>87,348</u>	<u>87,348</u>	<u>62,439</u>	<u>(24,909)</u>
Expenditures:				
Public Safety	-	-	-	-
Capital Outlay	10,000	80,000	76,496	3,504
Total Expenditures	<u>10,000</u>	<u>80,000</u>	<u>76,496</u>	<u>3,504</u>
Excess (deficiency) of revenues over expenditures	77,348	7,348	(14,057)	(21,405)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	77,348	7,348	(14,057)	(21,405)
Cash Balance at beginning of year	<u>33,704</u>	<u>33,704</u>	<u>33,704</u>	<u>-</u>
Cash Balance at end of year	<u>\$ 111,052</u>	<u>\$ 41,052</u>	<u>\$ 19,647</u>	<u>\$ (21,405)</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 62,439
Changes in Receivables				-
Actual per GAAP				<u>\$ 62,439</u>
Expenditures:				
Actual per Budgetary Basis				\$ 76,496
Changes in Payables				-
Actual per GAAP				<u>\$ 76,496</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Senior Citizens Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Program Income	\$ 21,700	\$ 21,700	\$ 10,958	\$ (10,742)
Inter-governmental State Grants	60,307	67,223	78,364	11,141
Federal Grants	2,500	2,500	2,500	-
Total Revenues	<u>84,507</u>	<u>91,423</u>	<u>91,822</u>	<u>399</u>
Expenditures:				
Culture and Recreation	74,507	80,917	79,003	1,914
Capital Outlay	10,000	10,506	10,505	1
Total Expenditures	<u>84,507</u>	<u>91,423</u>	<u>89,508</u>	<u>1,915</u>
Excess (deficiency) of revenues over expenditures	-	-	2,314	2,314
Other Financing Sources (Uses)				
Transfers In		-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	-	2,314	2,314
Cash Balance at beginning of year	<u>25,568</u>	<u>25,568</u>	<u>25,568</u>	<u>-</u>
Cash balance at end of year	<u>\$ 25,568</u>	<u>\$ 25,568</u>	<u>\$ 27,882</u>	<u>\$ 2,314</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 91,822
Changes in Receivables				2,171
Actual per GAAP				<u>\$ 93,993</u>
Expenditures:				
Actual per Budgetary Basis				\$ 89,508
Changes in Inventory				2,419
Actual per GAAP				<u>\$ 91,927</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Balance Sheet
 Proprietary Funds
 June 30, 2009

	<u>Joint Utility</u>
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 33,630
Receivables	4,531
Total Current Assets	<u>38,161</u>
Non-Current Assets	
Capital Assets	341,989
Less: Accumulated Depreciaton	<u>(92,669)</u>
Total Non-Current Assets	<u>249,320</u>
Total Assets	<u><u>\$ 287,481</u></u>
LIABILITIES	
Current Portion of Long-Term Debt	<u>\$ 3,331</u>
Total Current Liabilities	<u>3,331</u>
Non-current Liabilities:	
Loan Payable RIP	<u>31,979</u>
Total Liabilities	<u>35,310</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	214,010
Unrestricted	<u>38,161</u>
Total Net Assets	<u><u>\$ 252,171</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2009

	<u>Joint Utility</u>
Water and Solid Waste Operating Revenues	
Charges for Services	\$ 37,576
NM Gross Receipts tax.	2,250
Miscellaneous	<u>6,954</u>
Total Operating Revenues	<u>46,780</u>
Water and Solid Waste Operating Expenses	
Personal Services	3,769
Operating Services	36,850
Depreciation	<u>11,050</u>
Total Operating Expenses	<u>51,669</u>
Operating Income/Loss	<u>(4,889)</u>
Non-Operating Revenues (Expenses)	
Bond Interest Payments	<u>(1,603)</u>
Total Non Operating Revenues (Expenses)	<u>(1,603)</u>
Changes in Net Assets	(6,492)
Net Assets - Beginning	<u>258,663</u>
Net Assets - Ending	<u><u>\$ 252,171</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Joint Utility</u>
Cash flow from operating activities	
Cash received from customers	\$ 37,883
Cash received from taxes	2,250
Cash received from miscellaneous sources	6,954
Cash payments to vendors for goods and services	(36,850)
Cash payment to employees for services	<u>(3,769)</u>
Net Cash provided (used) by operating activities	<u>6,468</u>
Cash flows from Capital and related financing activities:	
Principal paid on capital debt	(2,873)
Interest paid on capital debt	<u>(1,603)</u>
Net cash provided (used) for capital and financing activities	<u>(4,476)</u>
Net increase (decrease) in cash and cash equivalents	1,992
Cash and Cash Equivalents, beginning of year	<u>31,638</u>
Cash and Cash Equivalents, end of year	<u>\$ 33,630</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating Income/Loss	\$ (4,889)
Adjustment to reconcile operating income/loss to net cash provided (used) by operating activities:	
Depreciation	11,050
Changes in assets and liabilities	
(Increase) Decrease in accounts receivable	<u>307</u>
Net Operating Income in Cash and Cash Equivalents	<u>\$ 6,468</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the Village of Grady. The Village does not have any component units. The Village operates under a Mayor – Village Council form of government and provides services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation – Basis of Accounting

Government-wide Statements – The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental and business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other Nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Village's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as Nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from Nonexchange transactions or ancillary activities.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

The Village reports the following major governmental funds:

General Fund – This is the Village’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Protection Fund – This fund accounts for the operations and maintenance of the fire department. Financing is provided by state collected taxes for fire protection. State Statute 59A-53-1 NMSA 1978 Compilation.

Emergency Medical Services - This fund accounts for grant funds received by the Village from state sources for development of an EMS System. Funding is provided for under State Statute 24-10A-1 to 24-10A-10 NMSA Compilation.

Gas Tax Fund – This fund accounts for the receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.

Senior Citizens Fund– This fund accounts for donations and fees collected by the Village on the behalf of its senior citizens and expended for them in accordance with their wishes, and to account for grant funds for the benefit of senior citizens. The authority for the allocation and set-up of the fund is 9-2-5 through 9-2-19, NMSA 1978.

The Village reports a major proprietary fund, the *Joint Utility Fund*, which is used to account for the assets, liabilities, net assets, revenue and expenditures related to water and refuse services provided to the residents of the Village, and water sold to parties outside the Village. Under GASB Statement No. 20, “Accounting and Financial Reporting the Proprietary Funds and Other Governmental Entities the Use Proprietary Fund Accounting”, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Village has chosen to apply future FASB standards.

C. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Statements – The government-wide and proprietary statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Program revenues derive directly from the program itself or

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

from parties outside the reporting government's taxpayers or citizenry as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

Governmental Fund Financial Statements – Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual and are recognized when the exchange transaction takes place. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants, and then, by general revenues.

All governmental and business-type activities and enterprise funds of the Village follow GASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Neither fiduciary funds nor component units that are fiduciary in nature are included in the Village's government-wide financial statements. The Village has no fiduciary funds, nor component units.

D. Budgetary Data

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Village Clerk submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means for financing them. A budget is proposed for the General and Special Revenue Funds. Proprietary funds are also budgeted.
2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment, and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The Village Council is authorized to transfer budgeted amounts between departments within any fund. Department of Finance and Administration, Local Government Division must approve any revisions that alter the total expenditures of any fund.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

4. Budgets for all funds are adopted on the cash basis, which is not consistent with generally accepted accounting principles. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
5. Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgeting control is by fund total. Budgetary information is presented as amended, the amendments being adopted in a legally prescribed manner. Appropriation laps at year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.

E. Encumbrances

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances lapse at year-end and therefore are not presented in these financial statements.

F. Cash

Cash includes amounts in demand deposits as well as certificates of deposit acquired by the Village. For the purpose of reporting cash flows all highly liquid investments including restricted assets with maturity of three months or less are considered to be cash equivalents.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

H. Accounts Receivable

The accounts receivable of the governmental funds consist primarily of taxes collected by the collection agency in the current year, but not remitted to the Village until after year-end. The accounts receivable of the enterprise funds represent earned income for water, sewer, and solid waste services. All of these receivables are considered fully collectible and no allowance has been computed.

I. Capital Assets

Capital assets are recorded as expenditures in the General Fund and Special Revenue funds at the time assets are received and a liability is incurred. These assets are capitalized at cost in the capital assets account except for rights of way and certain improvements other than buildings constructed in the public right of way such as roads, bridges, curbs, gutters, streets and sidewalks, drainage systems and lighting systems, as these assets are immovable and of value only to the Village. All purchased assets are valued at cost where historical records

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Notes to Financial Statements
 June 30, 2009

are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimate fair market value on the date received. The fair market value of donated assets is determined by comparison to other similar assets.

Depreciation of all exhaustible capital assets used by proprietary funds is charges as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-40 years
Improvements	10-40 years
Equipment	10 years

The Village capitalizes assets that cost \$5,000 or more.

Construction period interest, if any, is capitalized per GASB 37. The Village did not incur any construction period interest during the year ended June 30, 2009.

The Village capitalizes and depreciates its computer software.

2. DEPOSITS AND PLEDGED COLLATERAL BY BANKS

The Village is required by the New Mexico Statutes (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities:

	Wells Fargo Demand Deposits
Total amount of Deposits on June 30, 2009	\$ 350,155
Less: FDIC Insurance	(350,155)
Uninsured public funds	\$ -
50% collateral requirement	\$ -
Pledged security - market value	-
(Over) under-collateralized	\$ -

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$0 of the Village's bank balance of \$350,155 was exposed to custodial credit risk.

Unisured and Uncollateralized	\$ -
Unisured and Collateral held by pledging bank's trust department not in District's name	<u>-</u>
Total	<u><u>\$ -</u></u>

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

	Balance per Prior Year	Additions	Retirements	Balance at End of Year
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Improvements	11,200	-	-	11,200
Capital Assets being depreciated:				
Buildings	\$ 635,998	\$ 10,000	\$ -	645,998
Improvements/Infrastructure	285,056	76,496	-	361,552
Machinery & Equipment	614,166	150,000	-	764,166
Total Capital Assets being depreciated	1,546,420	236,496	-	1,782,916
Less accumulated depreciation for:				
Buildings	182,835	21,367	-	204,202
Improvements/Infrastructure	88,021	9,237	-	97,258
Machinery & Equipment	311,450	68,917	-	380,367
Total-accumulated depreciation	582,306	99,521	-	681,827
Total Capital Assets being depreciated, net	\$ 964,114	\$ 136,975	\$ -	\$ 1,101,089
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	3,100	-	-	3,100
Wells	7,388	-	-	7,388
Total capital assets not being depreciated	\$ 10,488	\$ -	\$ -	10,488
Capital Assets being depreciated:				
Water Distribution System	331,501	-	-	331,501
Total Capital Assets being depreciated	331,501	-	-	331,501
Less accumulated depreciation for:				
Water Distribution System	81,619	11,050	-	92,669
Total-accumulated depreciation	81,619	11,050	-	92,669
Total Capital Assets being depreciated, net	249,882	(11,050)	-	238,832
Business-Type Activities capital assets, net	\$ 260,370	\$ (11,050)	\$ -	\$ 249,320

4. RETIREMENT PLAN

Substantially all of the Village's full-time employees participated in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

Plan members are required to contribute 7 percent of their gross salary. The Village is required by State Statute to contribute 7 percent for regular employees. The contribution requirement of plan members and the Village are established under Chapter 10, Article 11, NMSA 1978. The Village's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$4,407, \$5,699, and \$5,745, respectively equal to the amount of the required contribution each year.

5. RETIREE HEALTH CARE ACT

The Village has elected not to participate in the New Mexico Health Care Act.

6. CHANGE IN BUSINESS TYPE LONG-TERM LIABILITIES

A long-term loan from the Rural Infrastructure Program (RIP) is to be used to improve water systems and construct a new water storage tank. The original loan was \$56,226 with installment payments due for 16 years at 3% interest. Each installment is \$4476.18.

The annual requirements to amortize all long-term debts outstanding, as of June 30, 2009 are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 3,331	\$ 1,145	\$ 4,476
2011	3,431	1,046	4,477
2012	3,533	943	4,476
2013	3,639	837	4,476
2014	3,749	727	4,476
2015 through 2018	20,499	1,881	22,380
Total Loan Payments	<u>\$ 38,182</u>	<u>\$ 6,579</u>	<u>\$ 44,761</u>

Change in Long-Term Liabilities – Joint Utility Fund

The following is a summary of changes in long-term debt of the Village for the year ended June 30, 2009.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
RIP Loan	\$ 41,416	\$ -	\$ 3,234	\$ 38,182	\$ 3,331
Total Long-Term Debts	\$ 41,416	\$ -	\$ 3,234	\$ 38,182	\$ 3,331

The following summarizes the changes in long-term debt for compensated absences for the year ended June 30, 2009:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Compensated Absences Payable	\$ 567	\$ 104	\$ (567)	\$ 104	\$ 104
Total Compensated Absences	\$ 567	\$ 104	\$ (567)	\$ 104	\$ 104

Compensated absences have typically been liquidated in the general governmental funds.

7. LONG-TERM DEBT

The Village obtained a loan from NMFA to purchase a Class A Pumper for the Fire Department. The loan is a ten-year loan with interest rates at 1.660% to 4.150%. The following is the annual amortization of the loan.

Year Ending June 30	Principal	Interest	Total
2010	\$ 22,096	\$ 5,326	\$ 27,422
2011	22,837	4,586	27,423
2012	23,637	3,788	27,425
2013	24,495	2,932	27,427
2014	25,411	2,016	27,427
2015	26,391	1,040	27,431
	\$ 144,867	\$ 19,688	\$ 164,555

The following is a summary of changes in long-term debt for the Village for the year ended June 30, 2009.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2009

Beginning Balance	Additions	Retirements	Ending Balance	Due in one year
\$ 166,284	\$ -	\$ 21,417	\$ 144,867	\$22,096
\$ 166,284	\$ -	\$ 21,417	\$ 144,867	\$ 22,096

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the fiscal year June 30, 2009, the Village carried insurance with the New Mexico Self-Insurer's fund for a shared premium cost. There were no significant reductions in coverage in the past fiscal year and there was no settlement exceeding insurance coverage in any of the past three fiscal years. The Village's policy is not an assessable policy; therefore the only risk is for the premium paid.

9. SURETY COVERAGE

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.

AUDITED SUPPLEMENTARY INFORMATION

NONMAJOR FUNDS

LAW ENFORCEMENT FUND – to account for the receipts of a State of New Mexico law enforcement grant and expenditures to provide law enforcement services to residents of the Village.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Combining Balance sheet
 Non Major Special Revenue Funds
 For the Year Ended June 30, 2009

	Law Enforcement Fund	Totals
Assets:		
Cash on deposit	\$ -	\$ -
Total assets	<u>-</u>	<u>-</u>
Fund Equity:		
Fund Balance		-
Unreserved:		-
Reported in Special Revenue Funds	-	-
Total Fund Equity	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Combining Statement of Revenue, Expenditures, and Changes
 in Fund Balances
 Non Major Funds
 For the Year Ended June 30, 2009

	Law Enforcement Fund	Totals
Revenues:		
Intergovernmental	\$ 20,000	\$ 20,000
Other Charges		-
Miscellaneous	983	983
	<hr/>	<hr/>
Total Revenues	20,983	20,983
	<hr/>	<hr/>
Expenditures:		
Current:		
Public Safety	21,288	21,288
Capital Outlay	-	-
	<hr/>	<hr/>
Total Expenditures	21,288	21,288
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(305)	(305)
Other Financing Sources (Uses)		
Transfers In	-	
Transfers Out		
	<hr/>	<hr/>
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	(305)	(305)
Fund Balance at beginning of year	305	305
	<hr/>	<hr/>
Fund Balance at end of year	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Law Enforcement Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Intergovernmental grant	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous	-	983	983	-
Total Revenues	20,000	20,983	20,983	-
Expenditures:				
Public Safety	20,000	21,288	21,288	-
Total Expenditures	20,000	21,288	21,288	-
Excess (deficiency) of revenues over expenditures	-	(305)	(305)	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	
Transfers Out	-	-	-	
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	(305)	(305)	-
Cash Balance at beginning of year	305	305	305	-
Cash balance at end of year	\$ 305	\$ -	\$ -	\$ -
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 20,983
Changes in Receivables				-
Actual per GAAP				\$ 20,983
Expenditures:				
Actual per Budgetary Basis				\$ 21,288
Changes in Payables				-
Actual per GAAP				\$ 21,288

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Joint Utility Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Utility - Service	\$ 44,450	\$ 44,450	\$ 37,583	\$ (6,867)
Utility - Connections	150	150	300	150
Equipment Sales	5,000	5,000	-	(5,000)
Gross Receipts Taxes	4,350	4,350	2,250	(2,100)
Miscellaneous	3,200	3,200	6,954	3,754
Total Revenues	<u>57,150</u>	<u>57,150</u>	<u>47,087</u>	<u>(10,063)</u>
Expenditures:				
Personal Services	6,125	5,337	3,769	1,568
Operating Expenses	41,549	42,335	36,850	5,485
Capital Outlay	-	-	-	-
Bond Requirement	4,476	4,478	4,476	2
Total Expenditures	<u>52,150</u>	<u>52,150</u>	<u>45,095</u>	<u>7,055</u>
Excess (deficiency) of revenues over expenditures	5,000	5,000	1,992	(3,008)
Other Financing Sources (Uses)				
Transfers In		-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	5,000	5,000	1,992	(3,008)
Cash Balance at beginning of year	<u>31,638</u>	<u>31,638</u>	<u>31,638</u>	<u>-</u>
Cash Balance at end of year	<u>\$ 41,638</u>	<u>\$ 41,638</u>	<u>\$ 33,630</u>	<u>\$ (6,016)</u>
Reconciliation to GAAP				
Revenues:				
Actual per Budgetary Basis				\$ 47,087
Changes in Receivables				(307)
Actual per GAAP				<u>\$ 46,780</u>
Expenditures:				
Actual per Budgetary Basis				\$ 45,095
Changes in long term payable				-
Actual per GAAP				<u>\$ 45,095</u>

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Bank Reconciliation - All Bank Accounts
 June 30, 2009

<u>Bank Name</u>	<u>Bank Statement Balance June 30, 2009</u>	<u>Outstanding</u>		<u>Book Balance June 30, 2009</u>
		<u>Deposits</u>	<u>Checks</u>	
Wells Fargo Bank New Mexico Clovis, New Mexico Branch Demand Deposits Checking: Village of Grady	<u>\$ 350,155</u>	<u>\$ 535</u>	<u>\$ 12,710</u>	<u>\$ 337,980</u>
Total Ending Cash	<u>\$ 350,155</u>	<u>\$ 535</u>	<u>\$ 12,710</u>	<u>\$ 337,980</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Hector Balderas, State Auditor
The Village Council and
Village of Grady
Grady, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the general fund and major special revenue fund budgetary comparisons, and the aggregate remaining fund information, and the combining and individual funds and budgetary comparisons presented as supplemental information of the Village of Grady (Village) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Grady's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Grady financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Village, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive, flowing style.

Ronny Fouts, CPA
Melrose, New Mexico
November 24, 2009

STATE OF NEW MEXICO
Village of Grady

**Schedule of Findings and Responses and
Summary Schedule of Prior Audit Findings**
For the Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

Report on Financial Statements	Unqualified
Reportable Conditions on GAGAS	None
Material weakness involving reportable condition	None
Material Noncompliance	None

PRIOR YEAR FINDINGS

08-01	Late Audit Report	Resolved and not repeated
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CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO
Village of Grady

Exit Conference
For the Year Ended June 30, 2009

The financial statements were prepared by the independent public accountants with assistance from the Village of Grady

EXIT CONFERENCE

The contents of this report were discussed on November 24, 2009 with Wesley Shafer, Mayor, Leona Fleming, Village Clerk, and Ronny Fouts, CPA.

Ronny Fouts, CPA
Melrose, New Mexico
November 24, 2009